HOUSE BUDGET COMMITTEE
109th Congress
MAJORITY CAUCUS

COMMITTEE ON THE BUDGET

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OVERVIEW

THE LEGISLATIVE LINE ITEM VETO ACT OF 2006 (H.R. 4890)

There will always be the temptation for Members of Congress to add unnecessary, wasteful spending to legislation as it moves through Congress. While we will never be able to eliminate that temptation, we can develop tools to reduce its damaging effects.

The Legislative Line Item Veto Act of 2006 (H.R. 4890, introduced by Rep. Paul Ryan) provides an effective mechanism for rooting out and eliminating particular, unnecessary spending items.

- Provides an additional tool for reducing unnecessary spending, and expressly dedicates any savings achieved to deficit reduction.
- Brings greater transparency and accountability to spending bills, providing a strong deterrent to wasteful earmark and pork project requests.
- Provides for means to address unnecessary entitlement spending – which poses the greatest long-term challenge for the Federal budget.
- Creates an expedited process for Congress to vote on the President's proposed rescissions.
- *Requires* Congress to act on the President's proposed rescissions by requiring an up-or-down vote.

SUMMARY OF MANAGER'S AMENDMENT

Line Item Veto Authority:

- Within 45 days of the enactment of a law, the President may transmit a special message proposing to cancel any of 3 classes of budget provisions:
  1) An amount of discretionary budget authority;
  2) A direct spending item;
  3) A targeted tax benefit.
- The President may transmit up to 5 special messages, and there is no limitation on combining the 3 classes in any given special message.

Procedures for Expedited Consideration:

- Congress must introduce a bill reflecting the proposed cancellations, bring that bill to the floor, and vote on it.
- Amendments or motions to strike or add provisions are not allowed – it must be an up-or-down vote on the entire list of proposed cancellations.

Presidential Deferral Authority:

- Parallel to the authority to propose cancellations is the authority to temporarily suspend the implementation, or obligation of certain budget authority, of budgetary resources and revenue measures. Those budget provisions may only be deferred for 45 calendar days.
  - If the President sends up a supplemental special message (permitted after the 40th day of the initial deferral period), he is allowed an additional 45 calendar days (for a total of 90 calendar days).

Nature of the Approval Bill:

- The approval bill that is introduced to effectuate the proposed cancellation of the budget provisions must meet certain conditions – primary among these is that CBO must estimate that each cancellation would produce budget authority or outlay savings.
  - For purposes of tax benefits, the approval bill may only include items from a specified list prepared at the time any tax bill is prepared.
  - For discretionary rescissions it is generally easy to identify the budgetary effect – all of a specified appropriation must be rescinded; if only a part of the overall amount is to be rescinded, it must be identified for some purpose in the report or joint statement accompanying the bill (or a table or chart).
  - Direct spending is less clear. There are unusual cases when OMB, which will prepare the special message and identify direct spending provisions, disagrees with CBO as to the effect certain legislative provisions might have. In this circumstance, the cancellation is not to be included in the approval bill – if it *is* included, the privileged nature of the bill to expedited consideration could be questioned.

Summary of Major Changes To The Bill As Introduced

Number and Timing of Special Messages

- *HR 4890 as Introduced*: No limit on the number of times the President can propose cancellation for any given bill.

- *Manager's Amendment*: The President may submit 5 special messages per enacted law, and 10 special messages per enacted Omnibus Reconciliation or Appropriations law.

Withholding Period for Funds in Requested Rescission

- *HR 4890 as Introduced*: Withheld or suspended provisions for 180 days.

- *Manager's Amendment*:
  - President authorized to withhold spending or suspend benefits up to 45 days.
  - President may not withhold/suspend any dollar amount until the special message is transmitted.
  - President may make funds available earlier if he concludes withholding or suspension of funds would not further the purposes of this Act.
  - President may renew the deferral for another 45 days during prolonged recesses (e.g. at the end of a Congress or for the August break).

Re-Submission of Rescission Request

- *HR 4890 as Introduced*: No limit on number of times the President can propose the cancellation of individual spending and tax provisions.

- *Manager's Amendment*: The President may propose the cancellation of any given provision only once.

Tax Application

- *HR 4890 as Introduced*: Applies to all targeted tax benefits – the President determines which provisions meet the definition of “targeted tax benefit.”

➢ *Manager’s Amendment*: Refines the definition of targeted tax benefits in a manner consistent with appropriations earmarks. Enables conferees on tax measures to incorporate into the bill a list of individual targeted tax benefits from which the President can choose items for cancellation.

Mandatory Spending Rescissions

➢ *HR 4890 as Introduced*: Allows the President to modify entitlement programs as he sees fit.

➢ *Manager’s Amendment*: Does NOT allow the President "to modify" direct spending items or targeted tax benefits, but does allow conforming changes to ensure savings are actually achieved.

Legislative Text

➢ *HR 4890 as Introduced*: A rescission bill is introduced exactly as proposed by the President

➢ *Manager’s Amendment*: Defines what constitutes an "approval" bill. This would ensure the Congress is not confronted with votes on non-budgetary provisions.